

ISSUE DATE: June 29, 1998

DOCKET NO. G-008/M-98-118

ORDER APPROVING PILOT PROGRAM AS MODIFIED AND REQUIRING
COMPLIANCE FILING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey
Joel Jacobs
Marshall Johnson
LeRoy Koppendrayner
Gregory Scott

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Minnegasco to
Conduct a One-Year Pilot Program to
Implement a Fixed Cost of Gas Rider

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PROCEDURAL HISTORY

On January 20, 1998 Minnegasco filed a petition to conduct a one-year pilot program offering eligible customers the option of “locking in” fixed per-unit gas prices for a one-year period. The program would be conducted in Mankato and North Mankato and would be limited to small volume firm customers (including residential customers) willing to sign a one-year contract. The company emphasized that the program would not be marketed as a less expensive alternative to traditional pricing, which fluctuates with the wholesale price of gas, but as an alternative offering greater price certainty.

On February 19, 1998 the Minnesota Energy Consumers filed comments recommending that the Commission require the Company to modify the pilot program to permit participants to choose gas vendors other than Minnegasco.

On March 3, 1998 the Minnesota Chamber of Commerce filed comments recommending granting the petition.

On March 23, 1998 the Department of Public Service (the Department) filed comments. The Department recommended granting the petition subject to a series of technical, accounting, reporting, disclosure, and consumer protection requirements. The most significant of these were the expansion of the program to include all firm customer classes, pre-distribution approval of all educational and promotional materials, and pre-distribution approval of the customer contract(s). The Department also pointed out it would be necessary to vary the purchased gas adjustment rules to permit the Company to offer fixed-rate pricing.

On April 2, 1998 the Company filed comments agreeing to all the conditions and modifications recommended by the Department.

On May 21, 1998 the matter came before the Commission.

FINDINGS AND CONCLUSIONS

The Commission agrees with the Company that the fixed per-unit price option could be valuable to some customers, could raise customer awareness of how gas service is priced, and could help gauge customer demand for, and acceptance of, new pricing options. The Commission will approve the pilot program, subject to the modifications and conditions recommended by the Department and adopted by Minnegasco.

The Commission rejects the Minnesota Energy Consumers's proposal to require Minnegasco to modify the program to permit participants to choose between different gas vendors. Not only would this result in an entirely different program (one focused on vendor choice instead of fixed pricing), but it would be premature in light of the Commission's October 26, 1997 Order convening an all-stakeholder work group to examine the threshold legal, empirical, and policy issues posed by unbundling.¹

The Commission will vary the applicable purchased gas adjustment rules to permit the program, finding that their enforcement would impose an excessive hardship on the Company and its ratepayers, that varying them would not adversely affect the public interest, and that varying them would not conflict with any standard imposed by law. Minn. Rules 7829.3200.

Finally, the Commission will require the Company to make a compliance filing clarifying how the purchased gas adjustment true-ups of September 1, 1999 and September 1, 2000 will apply to pilot program participants.

ORDER

1. The Company's petition, as amended to conform with the recommendations of the Department of Public Service, is hereby granted.
2. The Commission hereby varies Minn. Rules 7825.2700, subp. 3 to permit the Company to conduct the pilot program.
3. Within 90 days of the date of this Order the Company shall make a compliance filing clarifying how the purchased gas adjustment true-ups of September 1, 1999 and September 1, 2000 will apply to pilot program participants and clarifying any other unresolved purchased gas adjustment issues.

¹In the Matter of a Petition to Establish Rules and Regulations for Natural Gas Consumer Choice, Docket No. G-999/R-97-1317, ORDER DENYING RULEMAKING PETITION AND CONVENING WORK GROUP (October 28, 1997).

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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